MEMORANDUM FOR THE ADMINISTRATOR

REPORT OF PROGRESS FOR THE TENANT PURCHASE DIVISION
FOR THE PERIOD NOVEMBER 1 to 30, 1938, INCLUSIVE

November may be characterized as a month of checking and truing up Tenant Purchase procedures and methods. September marked the point at which the TP Division in Washington had largely completed the task of setting up the program for the new year, clearing revised procedures, and furnishing the field with the necessary instructions, supplies, etc. A good deal of follow-up and clean-up work was done in October, but by November, the ball, figuratively speaking, had been passed to the field and the Washington staff of the TP Division assumed the roll of observing, guiding and directing.

1. Plans for Farm Management Schools Advanced

Further progress was made during November toward instituting the series of Farm and Home Management training schools referred to in the October report under the title "Tightening up on Farm and Home Management Plan Requirements". Because of the inter-divisional aspects of this training program, a conference was held on November 7, participated in by H. H. Gordon, Assistant Director of the RR Division, Messrs. Stephens and Davis of the Personnel Division and John J. Riggle, Chief of the Farm Plan and Loan Section. A letter prepared for the Administrator's signature, requesting Regional Directors to cooperate with representatives of the Farm Plan and Loan Section and the Home Management Section, was signed and went to the field under date of November 22. Members of Mr. Riggle's staff have held conferences in the various regions relative to plans for schools and satisfactory progress is apparently being made toward getting the schools under way.

2. Collections Stressed

Reports coming in from the field indicated that some of the Tenant Purchase borrowers who obtained possession of their farms in time to operate them this season were marketing their crops, and therefore in a position to make payments on their loans. Although annual installments of principal and interest were not yet due it was pointed out that the opportune time to make collections was when the borrower was in possession of funds. Inasmuch as the form for submitting the statement of account had not yet been printed, a letter urging attention to the matter of collections and containing necessary instructions regarding procedure was sent to the field under the date of November 8. This letter followed the distribution of Administration Notice 318 entitled "Handling of TP Loan Collections" dated October 24, 1938.

3. Basic Price Data Transmitted to the Field

Under the date of November 23, important farm price data designed to be of value to appraisers in determing the earning capacity of farms was transmitted to the field. These data were broken down by states and by crop reporting districts. One table contained 1930-37 average prices for certain basic commodities. Another table presented the variations in prices of several important commodities in different crop reporting districts in each of the states. Maps were transmitted, showing the location of crop reporting districts. This material had long been in preparation. Shortly after the Tenant Purchase Division was created a group of WPA clerks started work on price tabulations under the general direction of Dave Wickens, consultant in the RR Division of the Farm Security Administration. Both J. D.

Pope and Madeline Jaffe of the Tenant Purchase staff participated actively, directing the tabulations and preparing the material for field distribution.

4. Regulations on Repairs and New Construction Relaxed

Attempts to carry on a construction and repair program in accordance with the provisions of TP Instruction 640.1, brought out the fact that many carpenters and small contractors in rural areas have difficulty in meeting the requirements for workmen's compensation and employers' liability. Accordingly, there was instituted a revision of this order authorizing a waiver of the requirement with respect to workmen's compensation and employers' liability, but this relaxation was qualified by the following statement:

> "The waiver of these requirements with regard to workmen's compensation insurance should be exercised only in imperative cases, as a serious injury to a single workman on any construction contract might result in a lien against the property of the borrower which would destroy his entire equity in the building."

The primary purpose of the above modification was to permit builders and small contractors, who are accustomed to doing work in rural areas, to do the construction and repair work on TP farms.

5. Demand for Relaxation of Mineral Reservation Requirements

Practically every region has had occasion to request exemption from the provisions governing mineral reservations as now stated. There is no disagreement as to the basic objective set forth in the policy. In other words, our field representatives everywhere are desirous of securing for our borrowers the maximum possible equity in mineral rights. They request exceptions when they are forced to do so by prevailing local conditions,

and we are confronted with the necessity of choosing between a ruling that will prevent loans or granting requests for exceptions. Practices with respect to mineral rights are usually applicable in an entire state or area of a state and it is not practical to attempt to solve the problem by shifting from one county to another.

This Division has reached the conclusion that no point is gained by requiring regions to obtain exceptions in individual counties. We have done all that it is practical to do in stating clearly the objectives of the Administration on this point. Requiring regional offices to secure exceptions by counties results in inevitable delay without compensating gain.

6. Functional Order Approved

The October report made reference to the preparation of a functional order for the Tenant Purchase Division. The few points in dispute with reference to the provisions of this order were satisfactorily adjusted in November and the order was initialed by the Director of the Division. It is believed that the order as approved is a fairly complete and accurate outline of the duties and activities of the Division.

7. Personnel Training Gaining Headway

The Tenant Purchase Division is sharing in the general benefits of the personnel training program sponsored by the Farm Security Administration with the aid of an Advisory Committee and the Training Unit of the Personnel Division. Evidences of results of the outline for personnel training transmitted to the field by the Assistant Administrator under the date of September 22 are beginning to be apparent in the manner in which

conferences have been organized and in certain training activities that have been instituted. Some regions have indicated their intention of integrating the farm management schools referred to at the opening of this report with a general series of district and state conferences. Region VIII has arranged with Southern Methodist University and the Texas A. & M. College for credit courses in sociology and agricultural economics, respectively. Under the chairmanship of Jim Maddox, the Director of the Division has participated in conferences with Carl Taeusch relative to making available to the Farm Security Administration the type of training in philosophy, economics and sociology that has been carried on in cooperation with the Extension Services of the respective states during the past few years. It is hoped that schools under Mr. Taeusch's direction can be arranged for the Washington staff, and thereafter in one or two regions and perhaps in one state and one district during the current fiscal year.

8. Loans to Farm Laborers without Capital

Philip Henderson, Supervisor in charge of Rehabilitation in Region I, reported that the only applicants for Tenant Purchase loans in Penobscot County, Maine, were farm laborers without capital with which to make down payments and without the necessary work stock, tools and equipment for carrying on farming operations. Mr. Henderson reported that the applicants were industrious, capable and highly recommended by their references. Mr. Henderson was advised that there was no objection to making loans to farm laborers under these circumstances. While the law requires the Secretary to give preference to applicants who have necessary tools and equipment for carrying on farming operations, or who can make a down payment,

the Act states that this is to be done "wherever practicable". Inasmuch as farm laborers obtaining Tenant Purchase loans under these circumstances will be obliged to apply for Rehabilitation loans with which to purchase the necessary equipment and for operating capital, Mr. Henderson was asked to be particularly diligent in checking on the farm and home management plans to be sure that the income will be sufficient to retire both the Tenant Purchase loan and the Rehabilitation loan. Mr. Henderson reported that the farms in Maine are available at particularly favorable prices and that it is believed that sound loans can be made to farm laborers under these circumstances.

9. Purchase Loans to Settlers on Relocation Projects in Jim Wells County, Texas, Authorized

Last summer C. M. Evans, Regional Director for Region VIII, requested authority to make Tenant Purchase loans to 28 families on a relocation project in Jim Wells County, Texas. These families had been given assistance some two years ago by the Resettlement Administration in moving from the Dust Bowl area in Region XII into the Jim Wells territory in Southwestern Texas. Loans were advanced for the payment of leases and for operating and subsistence purposes; also, for certain modest improvements on the land. Options to buy, contained in the lease agreements, expire January 1, 1939. The Tenant Purchase Division indicated its willingness to make Tenant Purchase loans to these resettlers under certain conditions as follows:

(1) That the Texas Farm Security Advisory Committee would approve the allocation of a sufficient sum of money to Jim Wells County for the purpose of making the 28 loans.

(2) That a County Committee, appointed in conformance with the Bankhead-Jones Farm Tenant Act, certify all settlers as being qualified to receive loans and all farms as being acceptable at the prices asked.

These conditions were met and request for authority to make the loans was formally submitted. Numerous conferences between officials of Region VIII and the Farm Security Administration in Washington were held on November 23 and the Secretary of Agriculture was requested to authorize the use of emergency funds (not TP funds) for these loans and for further authority to extend all loans previously made, which are to be credited on purchase price, for 40 years at 3 per cent. The authority was granted by the Secretary and the Regional Director of Region VIII has been advised to proceed with negotiating the loans in accordance with Tenant Purchase procedure.

10. A Study of Appraisal Procedure and Methods Instituted

Appraising farms to determine their value on the basis of earning capacity is admittedly not an exact science. The Farm Security Administration has recruited a staff of appraisers, some of whom have gained their experience from the Farm Credit Administration and some of whom have done appraisal work for the Land Utilization Division of the old Resettlement Administration. Every effort has been made to formulate appraisal procedures and practices suited to the special needs of the Farm Security Administration. It will take some time to tell how successful our methods are. There appears to be some ground for the belief that we can go further than we have gone yet in the direction of simplifying appraisal methods and

appraisal reports. We are really seeking the answer to one question from appraisers, namely: "What is a reasonable price to pay for a given farm on the basis of its earning capacity?"

Pursuant to resolving some of these unanswered questions, J. D. Pope has been assigned to a careful study of appraisal work now in progress. During the next month he will go to the field with appraisers in Regions IV, V and VI. It is hoped that the information obtained will pave the way for further perfection of our appraisal methods.

11. Inauguration of Integrated Reporting System

Since its establishment, the Tenant Purchase Division has been endeavoring to develop a system of reports that will reflect progress and provide the data that will be required for a proper appraisal of the program, over a long period of time. Its efforts are now nearing fruition. A large contribution to this effort has been made by members of the staff of the Procedure Division who, after consultation with the staff of the Tenant Purchase Division, have drafted the forms essential for recording the desired data. These forms include work sheets for use in county offices, a worksheet for use in the regional offices, and certain forms upon which monthly, quarterly and annual reports will be submitted. Consistent with getting the facts required, simplification has been the aim. The county supervisors will be required to submit but a single TP monthly report which will be known as FSA-TP 9. Regional offices will be asked to submit monthly reports based in part upon the report received from the supervisors and in part upon information developed in the regional office. Certain information on trust accounts, insurance, taxes, et cetera, will come in quarterly.

There will be a single annual report on status of collections. This will be due in April, after statements of accounts have been submitted and after the bulk of annual collections have been made.

Data on the economic and social progress of borrowers will be very important in the long run and will be obtained primarily from analyses of family record books. The borrower's net income return (FSA-TP 14), which the borrower will be required to submit annually, will show gain and net worth and contain interesting comparisons between estimated and actual income and expense of borrowers.

Two members of the TP staff, Kenneth Smith and Madeline Jaffe, will visit regional offices early in December for the purpose of conferring with all persons concerned with introducing and carrying out the reporting system. The Tenant Purchase Division has had the cooperation and assistance of the Procedure Division, the Finance and Control Division, the Business Management Division, and especially of Mr. Skeels of the Collection Section of the RR Division and Mr. Briggs of the RR Division. No effort has been spared to have the reporting system of the Tenant Purchase Division properly checked by all service divisions which, in one way or another, will have a part in handling the reports of the Division.

12. Disseminating Information on Distribution of Forms

It has become increasingly apparent in recent months that there is need for some modification or amplification of the methods heretofore followed of keeping field offices advised as to the dates and quantities of shipments of various forms and supplies. It has not been uncommon for a certain region to report interruption of progress due to lack of certain

needed forms. Inquiry here has often revealed the fact that the forms in question have been shipped long enough to have reached the region in question. Sometimes it has developed that the forms have been lying undiscovered in the regional supply room, and other times it has developed that there has been delay in getting the forms out of the shipping department in Washington.

This problem was presented at the administrative staff meeting on October 6. It was discussed with Mr. Gordon of the RR Division and Mr. Rhodes of the Business Management Division on November 28, and later with Acting Business Manager, D. J. Ward. Mr. Ward issued a memorandum under the date of November 29, indicating that the BM Division will hereafter notify the regional supply officer by mail on the day shipment is made, as to the quantity of forms being shipped and the date of shipment. A copy of the form in question will accompany the notice and the regional supply officer will be asked to furnish the interested division in the region with notice of shipment and a copy of the form. This will apply only to newly adopted or revised forms. The interested operating divisions in Washington will be concurrently advised as to the date and quantity of shipment and copy of the form in question. It is believed that this arrangement will largely alleviate the difficulties that have been experienced in the past.

13. Delay in Bonding Supervisors for Protection of Borrowers

RR supervisors are bonded for the protection of the Government against misappropriation of funds but they are not so bonded for the protection of TP borrowers, notwithstanding the fact that they have some opportunity, as a result of controlled bank accounts and countersigning of checks, to misappropriate borrowers' funds. Negotiations have been under way for some

time to correct this situation. A form of bond has been developed and has been presented to underwriters in New York by Phil Maguire, Director of the RR Division, and Mr. McIntosh of the Finance and Control Division, and the rating of the bonding risk has been requested. A preliminary rating has been quoted but has not yet been agreed to. Until borrowers are protected by the bonding of supervisors, an element of risk is involved.

14. Extension of Appointments of State and County Committeemen

The mechanical task of extending appointments of state and county committees from December 31 to June 30 has been accomplished during the month of November. The details of procedure have been properly cleared with the Personnel Division and the Solicitor's office. Two letters, one extending appointments of state committee members, with suitable lists of committeemen attached, another extending the appointments of county committees, have been prepared for the Secretary's signature. Letters notifying state and county committeemen of the extension of their appointments have been prepared for the signature of the Administrator. It is necessary that the appointive action be taken and that the notices go to the field before the end of December, in order to avoid any lapse in service of committee members.

15. Statement on Insurance Policies prepared for Board Consideration

Considerable opposition against certain insurance policies has developed within the ranks of farmers' mutual insurance associations and old line insurance companies. A letter setting forth the nature of the protests and requesting further consideration of policies involved has been prepared for the Administrator's signature.

16. Plans Consummated for Field Trip by Board

Pursuant to the action of the Farmers' Home Corporation Board at its meeting held on October 26, arrangements have finally been consummated for an inspection of Tenant Purchase farms in Alabama and in Mississippi on December 11 and 12, respectively. The members of state committees of the respective states are expected to join in these inspections and informal discussions will be carried on between Board members and state committee members. The original plan contemplated visiting both the higher priced farming areas of the Mid-West and the lower priced farming areas of the Southern States. An attempt will be made to complete the field trip to the Middle Western area at some later time.

17. Visit of Director Rodriguez Geigel of Puerto Rico

Mr. A. Rodriguez Geigel, Director of Extension in Puerto Rico, spent some days in Washington on his return from the Land Grant College meeting in Chicago. Several conferences were held with members of the staff of the Tenant Purchase Division and a conference was held with Assistant Administrator Baldwin, during which the general progress of the program in Puerto Rico was discussed at some length.

Director Rodriguez reported an active and interested general committee and a very well qualified certifying committee consisting of three farmers. He is of the opinion that the loan funds will be fully utilized this year. It is estimated that loans for the purchase and improvement of farms in the Island will average around $5,000. Plans for diversified farming advocated by the Experiment Station are being developed and Director Rodriguez feels that great benefit will be derived from the program.

He reports that the Puerto Rican Reconstruction Administration, operating under the Department of Interior, has called upon the Extension Service to supervise the Rehabilitation loans in the Island and has provided funds and personnel for this purpose. Director Rodriguez feels that this will tend toward a better coordination of the entire agricultural program and will tend to put rehabilitation activities on a sounder basis in the Island.

18. Field Trips

The Director of the Division attended the annual meeting of the American Country Life Association in Lexington, Kentucky, on November 3 and 4. The theme of the Country Life program this year was "Disadvantaged People in Rural Life". A great deal of discussion centered around the rehabilitation program and the Tenant Purchase program of the Farm Security Administration. Developments in the field of cooperative medical services were also discussed with interest.

November 9 and 10 were spent in Greene and Clay Counties, Arkansas, where prospective borrowers (21 families in each county) were assembled in county seat towns for interview and final choice of tentatively approved borrowers by county committeemen. November 11 to 16 inclusive, was spent in Region VIII studying various phases of the Tenant Purchase program, and conferring relative to the details of loans to settlers on the Jim Wells Project, previously referred to.

The Assistant Director of the Division visited Region XI and inspected Tenant Purchase farms in Linn County and investigated a system of reports in use in that region. These reports are providing excellent farm and home records for each Tenant Purchase borrower. Under this system, each borrower mails in a report of his income and expenses for each month. This report gives the supervisor an opportunity to correct any inaccuracies in the records of the borrower while the various transactions are fresh in the borrower's mind. We believe this method of keeping and maintaining farm records has considerable merit and are suggesting it to the farm and home management section in Washington.

November 7, a school for newly appointed county committeemen was held in Box Elder County at Brigham City, Utah. November 9 and 10 were spent in the regional office of Region XII, conferring on various phases with reference to the Tenant Purchase program particularly emphasizing the methods of handling collections and engineering phases of the work and records.

An inspection trip was made to Mesa and La Plata Counties, Colorado, November 11 to 13, for the purpose of conferring with county supervisors and visiting TP farms. An appraisal school was held in the regional office on November 14 and 15.

November 16 was spent in the regional office at Lincoln, conferring with the regional personnel on legal, finance, records and family and farm selection problems in connection with the TP program.

In many of the western regions the tendency of selected borrowers to want to rent additional land or to otherwise extend their operations beyond

a family-size farm is a distinct problem. We believe that all of these regions, however, are placing considerable emphasis upon the selection of borrowers who want security afforded by TP loans to acquire a family-size farm.

Sincerely yours,

Paul V. Maris

Paul V. Maris, Director
Tenant Purchase Division